

W. T. GRANT COMPANY

Capital Stock Listed on New York Stock Exchange

(Symbol GTY)

FUNDED DEBT	-	-	-	NONE
PREFERRED STOCK	-	-	-	NONE
CAPITAL STOCK	-	-	1,185,580	SHARES

A NATIONAL CHAIN STORE SYSTEM
WITH A NOTEWORTHY RECORD OF
GROWTH IN SALES AND NET EARNINGS.

Redmond & Co.

Members of the New York Stock Exchange

48 Wall Street

New York

Tel. HANover 1902

1429 Walnut Street
Philadelphia
Tel. Rittenhouse 9060

CABLES "MIMOSA" NEW YORK

Private Wires to Principal Cities

341 Madison Avenue
New York City
Tel. Vanderbilt 7700

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CONFIDENTIAL

W. T. GRANT COMPANY

Capital Stock Listed on New York Stock Exchange

NOW more than at any time in the last five years the stock market is in a selective stage where we believe it is impossible to link together any list of similar issues and judge them on a group basis. The market is highly individualistic. Stocks cannot be selected by industries or even by small groups, in our opinion, but must be studied singly.

This is particularly true in the chain store field where the trend until late last year was almost uniformly upward, but has now changed to a condition where some chains are prospering while others are standing still.

Moreover the better grade of chain store stocks, we believe, have been thoroughly liquidated, but in this process of scaling down there has been as little reasoning as there was in the uniform upbidding.

We therefore think it is unsound to lump all the chain stores and try to pronounce an opinion as to whether the trend in this field is up or down.

After a careful study of the field, we have come to the conclusion that W. T. Grant Capital Stock, both by comparison with other chain store issues, and on its own merits as shown by earnings and growth is an outstanding investment and speculative opportunity.

Our reasons are as follows:

1. *The Company has demonstrated a remarkable growth in sales and earnings. It has never had an unprofitable year.*

2. *The management of the Company has proved its ability to effect expansion with a minimum reliance on outside funds thereby securing to its stockholders the maximum benefit of reinvested earnings.*

3. *The financial position of the Company is today the strongest in its history—thus the continuation of its expansion program is assured.*

4. *Cash dividends have been paid in every year since the Company's inception. Such disbursements have increased 465% in the last decade.*

5. *The Company's conservative and able management has built up a position where the present dividend is not only earned by a large margin but there is ample surplus to warrant the expectation of a larger return.*

6. *Chain store stocks like utilities should sell comparatively higher in relation to earnings than stocks of manufacturing companies whose earnings necessarily fluctuate, since increased sales and earnings for chain store stocks can be conservatively projected over future years. Particularly is this true with W. T. Grant, whose rate of growth promises to be more rapid than that of any other leading chain store system.*

7. *The management of the Company is unusually efficient as shown by the low capital investment per dollar of increased sales. This ratio is demonstrated by the fact that W. T. Grant Company five year average sales per dollar of invested capital were practically double those reported by five other leading chain store companies.*

8. *At recent price levels the stock is selling on a lower price to earnings ratio than any other comparable, sound, chain store stock.*

We commend to your attention the subjoined research data, obtained mainly from official sources, and which we believe amply demonstrate that W. T. Grant Company is one of the outstanding successes of the chain store field, not at present adequately appraised in the market value of its shares.

EARNINGS RECORD

The W. T. Grant Company has never had an unprofitable year. For the year ending January 31, 1921, earnings after taxes amounted to \$274,828, while earnings for the fiscal year ending January 31, 1930, amounted to \$3,057,750—an increase over 1921 of 1,012%. In each year since 1921, earnings of the Company have shown a gain over the previous year.

Annual dividend payments since 1921 have been advanced from \$123,750 to \$700,519, an increase of \$576,769 or 465%. Of total earnings available for dividends, only 26.8% were so disbursed, the remaining 73.2% having been retained and devoted to the expansion program of the Company.

Analysis is offered below revealing the proportion of yearly earnings retained by the Company and "plowed back" into the business in the last ten years as well as the amounts derived from other sources, including depreciation reserves and net proceeds from securities sold:

Year Ending January 31	Net Earnings	Cash Dividends	Earnings Retained	Depreciation Reserve	New Capital Paid In	Total Funds for Expansion
1921-----	\$ 274,828	\$ 123,750	\$ 151,078	\$ 56,595	\$ 22,800	\$ 230,473
1922-----	296,270	132,476	163,794	92,143	288,200	544,137
1923-----	611,154	172,611	438,543	110,542	694,400	1,243,485
1924-----	1,360,837	405,526	955,311	150,207	844,600	1,950,118
1925-----	1,399,872	515,293	884,579	213,294	923,550	2,021,423
1926-----	1,825,273	562,837	1,262,436	312,495	54,070	1,520,861
1927-----	2,126,731	557,561	1,569,170	340,355	129,255	1,780,270
1928-----	2,329,454	568,895	1,760,559	379,251	8,495	2,131,315
1929-----	2,759,750	565,818	2,193,932	499,461	1,304,070	3,997,463
1930-----	3,057,750	700,519	2,357,231	621,502	3,236,800	6,215,533
Totals-----	\$16,041,919	\$4,305,286	\$11,736,633	\$2,775,845	\$7,122,600	\$21,635,078

During the above ten-year period sales have increased from \$10,192,535 to \$65,902,419 and net earnings from \$274,828 to \$3,057,750. As shown above funds available for expansion purposes amounted to \$21,635,078, of which over 67% came from within the Company.

Because it requires at least one year for expansion funds to become effective, the increases in sales and earnings in the period referred to may be said to reflect only the sums reinvested in the business prior to the last fiscal year. Such sums amounted to \$15,419,545; while the increase in sales was \$55,709,884 and the increase in net earnings was \$2,782,922. *On this basis it is manifest that every new dollar utilized in the W. T. Grant business produced an increase of approximately \$3.61 in sales and an increase of over \$0.18 in net earnings.*

HISTORY

Now ranking among the leading chain store systems of the United States, the W. T. Grant Company is the outgrowth of a business established in 1906 with a total cash capital of \$16,000 by the founder, Mr. W. T. Grant.

Since the opening of the first Grant store 24 years ago, the Company has increased number of stores operated to 279 and expanded sales volume from a few thousands of dollars yearly to a total exceeding \$65,000,000 in the last fiscal year. The record by years is presented in the following tabulation:—

W. T. GRANT COMPANY Record of Growth Since Jan. 31, 1908

Fiscal Year Ending Jan. 31st	Number of Stores in Operation at Year End	Net Sales During Year	Percentage Increase over Previous Year	Fiscal Year Ending Jan. 31st	Number of Stores in Operation at Year End	Net Sales During Year	Percentage Increase over Previous Year
1908-----	1	\$ 99,478		1919-----	32	6,029,083	33.7%
1909-----	2	169,154	70.3%	1920-----	33	7,941,688	31.7%
1910-----	4	398,778	135.0%	1921-----	38	10,192,535	28.2%
1911-----	6	752,781	89.0%	1922-----	45	12,728,412	25.0%
1912-----	9	1,083,690	43.9%	1923-----	50	15,382,631	20.7%
1913-----	12	1,361,539	25.5%	1924-----	60	20,625,388	34.3%
1914-----	16	2,000,908	46.8%	1925-----	70	25,316,334	22.3%
1915-----	20	2,565,296	28.2%	1926-----	77	30,411,399	20.2%
1916-----	23	3,061,690	19.3%	1927-----	109	36,074,504	18.3%
1917-----	25	3,659,779	19.6%	1928-----	157	43,743,929	21.1%
1918-----	30	4,510,776	23.3%	1929-----	221	55,690,784	27.4%
				1930-----	279	65,902,419	18.3%

As shown above annual sales of the W. T. Grant Company have increased more than 20% in every year but four since 1908, with the volume of growth particularly large in the last 10 years during which sales increased from slightly less than \$10,200,000 (1921) to nearly \$66,000,000 (1930).



The enlargement of W. T. Grant Company is the more impressive from the fact that it represents growth from within. Artificial growth, typical of the "manufactured chain", and really from the absorption of existing stores or groups of stores has never been resorted to in the development of the Grant Chain.

The management has estimated sales for the current fiscal year at over \$75,000,000.

GRANT STORE SYSTEM

On January 31, 1930, W. T. Grant Company was operating 279 stores located in 34 states of the Union, the system extending from Maine to Texas. Stores in operation, by states, is shown below:

<i>State</i>	<i>Grant Stores as of Jan. 31, 1930</i>	<i>State</i>	<i>Grant Stores as of Jan. 31, 1930</i>
Alabama	1	Missouri	2
Arkansas	1	Nebraska	2
Connecticut	25	New Hampshire	6
Delaware	2	New Jersey	14
Florida	3	New York	48
Georgia	3	North Carolina	3
Illinois	11	Ohio	10
Indiana	5	Oklahoma	2
Iowa	3	Pennsylvania	34
Kansas	1	Rhode Island	3
Kentucky	2	South Carolina	2
Louisiana	2	Tennessee	3
Maine	8	Texas	7
Maryland	3	Vermont	1
Massachusetts	56	Virginia	8
Michigan	3	West Virginia	1
Minnesota	2	Wisconsin	3

While the scope of the W. T. Grant chain has increased greatly in recent years, the momentum of growth the Company has developed, its large financial resources and the wide field for expansion stretching before it justify in our opinion expectations of material future gains in operating units and total sales. The current expansion program calls for the opening of approximately sixty stores during the current year, and leases for the following thirty-four new stores have already been signed:

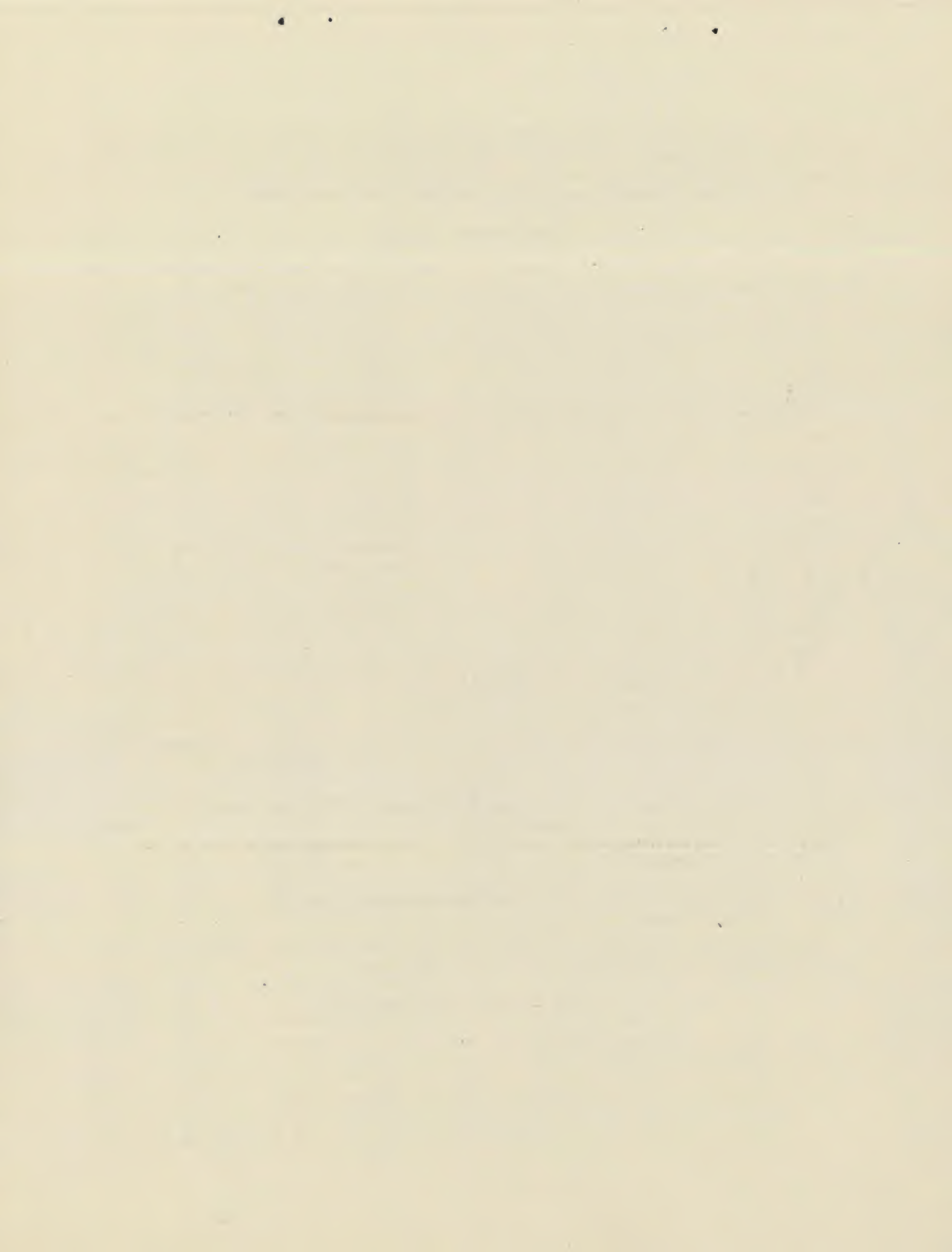
Batavia, N. Y.	Honesdale, Pa.	Oneonta, N. Y.
Bath, N. Y.	Johnstown, N. Y.	Reading, Mass.
Buffalo, N. Y. (3)	Lansing, Mich.	Rockville Center, L. I.
Collingswood, N. J.	Lynchburg, Va.	Salt Lake City, Utah
Corning, N. Y.	McKeesport, Pa.	Sayre, Pa.
Dover, Del.	Miami, Fla.	Springfield, Mo.
East Liberty, Pa.	Muskegon, Mich.	Titusville, Pa.
Eastwood, N. Y.	Newport, Vt.	Towanda, Pa.
Elkins, W. Va.	Newport News, Va.	Utica, N. Y.
Hackensack, N. J.	New York City, N. Y. (2)	Weston, W. Va.
Hamtramck, Mich.		

Based on our study of the growth and outlook of the W. T. Grant Company, we anticipate the development of a sales volume of \$200,000,000 annually within the next 5 years.

POLICIES OF BUSINESS

Operating policies of the W. T. Grant Company are:—

- To give the best possible merchandise values in the most popular price lines.
- To concentrate on those articles of merchandise in greatest demand.
- To give the best possible service to the customer consistent with economy.
- To make all sales for cash, as a means of giving greater values.
- To have the greatest possible turnover of merchandise inventory as a means of keeping merchandise new, fresh and clean, and of lowering the cost of doing business.



Grant Stores specialize in merchandise priced at \$1.00 and under, over 96% of the total sales being within this price range. A few items in the millinery and radio accessories departments are sold above the \$1.00 limit, and twenty of the stores have ready-to-wear departments, selling coats and dresses retailing at popular prices. The major part of the merchandise is in the staple or necessity class, with the result that sales and expansion have been affected but a minimum with fluctuating business conditions. The following department classifications give an indication of the variety of merchandise sold:

Books & Stationery	Handkerchiefs	Millinery
Candy	Hardware	Music
Children's Wear	Hosiery	Neckwear
China & Glassware	House Furnishings	Notions
Draperies	Jewelry	Radio
Dress & Wash Goods	Knit Wear	Records
Electric Accessories	Leather Goods	Toys
Footwear	Luncheonette	Women's Wear
Gloves	Men's Wear	

The number of articles carried in the smaller stores approximates 2,000, in the larger stores 4,500; not counting as separate articles the different sizes, patterns and colors.

The average transaction amounts to approximately 43 cents. During the fiscal year ending January 31, 1930, it is officially stated, sales of approximately \$65,900,000 represented over 150,000,000 individual transactions.

ORGANIZATION

An outstanding feature of the W. T. Grant Company and one which sets it apart in the chain store field is the vigorous efficiency of its operating personnel. In this connection, we reprint in part from an informative booklet presented to stockholders of the Company at the last annual meeting:—

“W. T. Grant Company stores vary in size from those having an annual sales volume of over \$1,500,000 to those with a sales volume as low as \$50,000. They are located in cities from the size of New York to cities with populations as low as 5,000.

“The Manager of each individual store is given all necessary authority and is held strictly accountable for his store's success. He knows the lines of merchandise handled by the Company, but merchandises his store to fit the needs and tastes of his own community. The position is one of large responsibility and the income is commensurate. Managers of stores of average size receive from \$6,000 to \$10,000 a year, while those in charge of the largest stores earn in excess of \$20,000. A large part of each manager's compensation is based on the net profit of his store. All promotions to the position of manager are made from men trained by the Company, the training period lasting from three to five years.

“As a result of careful selection of its managers by the Company and the opportunities and adequate compensation offered, once the position of manager has been attained, store manager turnover is low. During the past seven years, the average annual turnover of store managers has been less than seven percent.

“The Stores are grouped in four districts, with headquarters in Boston, Mass., New York, N. Y., Atlanta, Ga., and Chicago, Ill., respectively. Stores in each district are under the supervision of a District Manager. The District Managers are aided by District Merchandise Managers and District Superintendents, all of whom cooperate fully with the Store Managers in meeting their individual problems. These men in the District Offices have been promoted from Store Managers because of proven merchandising ability.

“The President and General Manager is in charge of all operations. In addition to controlling store operations through the four District Offices, the various departments in the New York Office are under him.

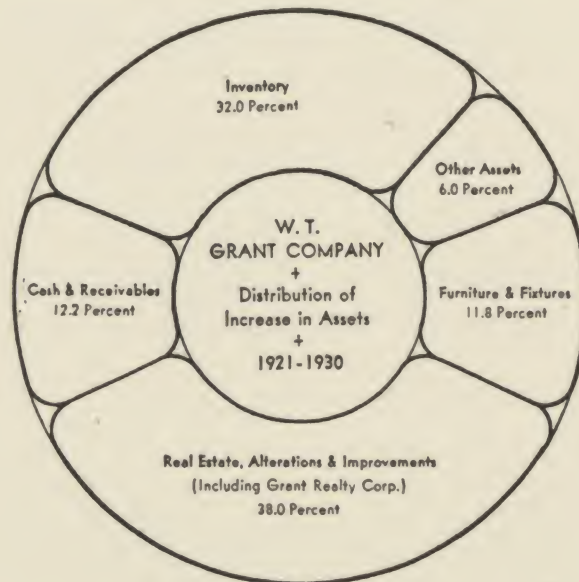
“The Real Estate and Construction Department is engaged almost entirely in work resulting from the Company's expansion program. It locates potential store sites, negotiates with the owners for leases, plans and supervises the making of necessary alterations, installs new furniture and fixtures, and turns the new stores over to the Managers selected to operate them, ready to open.

“The Department of Standards and Research is concerned chiefly with increasing the efficiency of store operations and the efficiency of the New York Office. Its studies include such subjects as the development of the district organizations, methods of compensation, manuals of standard practice for various departments and jobs, methods of merchandise control, store office routine, improved methods for taking inventory, and elimination of waste.

“New methods for the stores are first tested in groups of five or ten ‘Laboratory Stores’ under the supervision of the Standards Department. If results are satisfactory in these stores, the new methods are extended throughout all Grant Stores.”

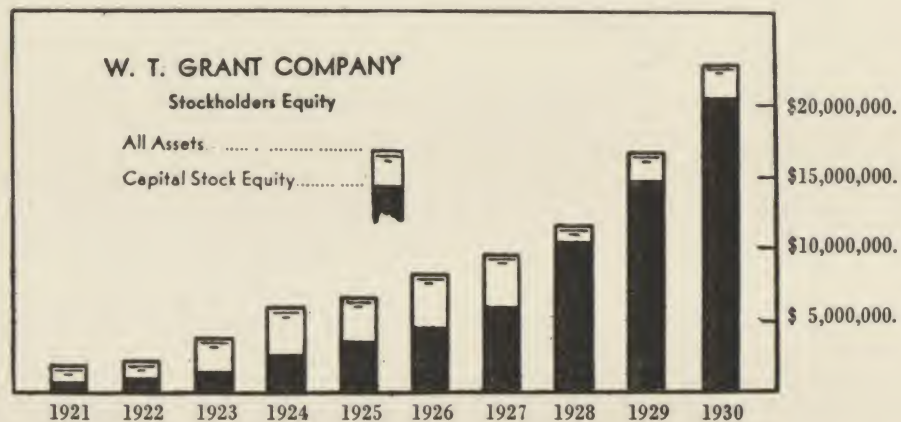
DISTRIBUTION OF EARNINGS

The funds used in expansion of the W. T. Grant system have been employed as shown here diagrammatically. It is of importance to note that approximately 50% of the increase in assets has been kept in liquid form, as Cash

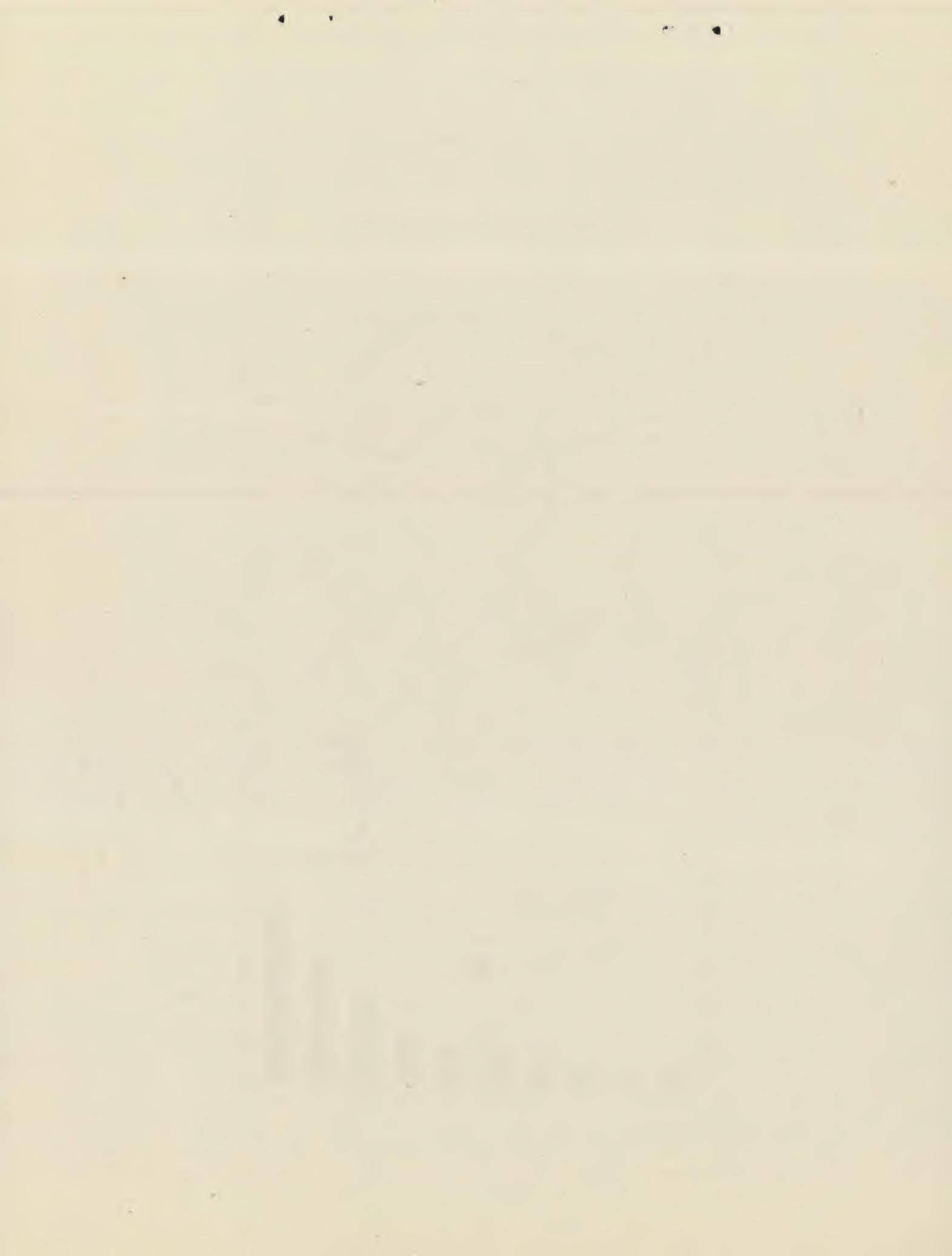


and Receivables, Inventory and Other Assets. In the classification “Real Estate, Alterations and Improvements” there has been included the investment of the W. T. Grant Company in W. T. Grant Realty Corporation.

As a result of financing largely from earnings, the equity of the holders of the capital stock of W. T. Grant Company has shown a large increase. At January 31, 1921, Common Stock and Surplus amounted to \$996,108 while on January 31, 1930, these items, which represent the stockholders’ equity in the Company, amounted to \$20,496,966, an increase of \$19,500,858, or 1,960%. This growth in the equity of capital stockholders is shown graphically below.



During this period the equity of stockholders, as represented by Capital Stock and Surplus, was increased to 90.7% of the value of all Assets, as shown by the Balance Sheet as at January 31, 1930, against 40.1% of the Company’s Assets on January 31, 1921.



CONCLUSION

The more prominent features of the organization and business record of the W. T. Grant Company have been covered in the preceding pages.

Comparative accounts of the Company on the two following pages testify to its growth, and its current financial condition clearly shows the Company to be in a position to continue vigorously its expansion program.

Thus, the balance sheets reveal an increase in Net Working Capital of the Company in the period covered from \$1,109,630 to \$9,001,853—a gain of over 711 %; and an increase in total assets of over \$20,000,000.

The Balance Sheet and Income Account for the last fiscal year indicate a rate of inventory turnover of approximately 8½ times.

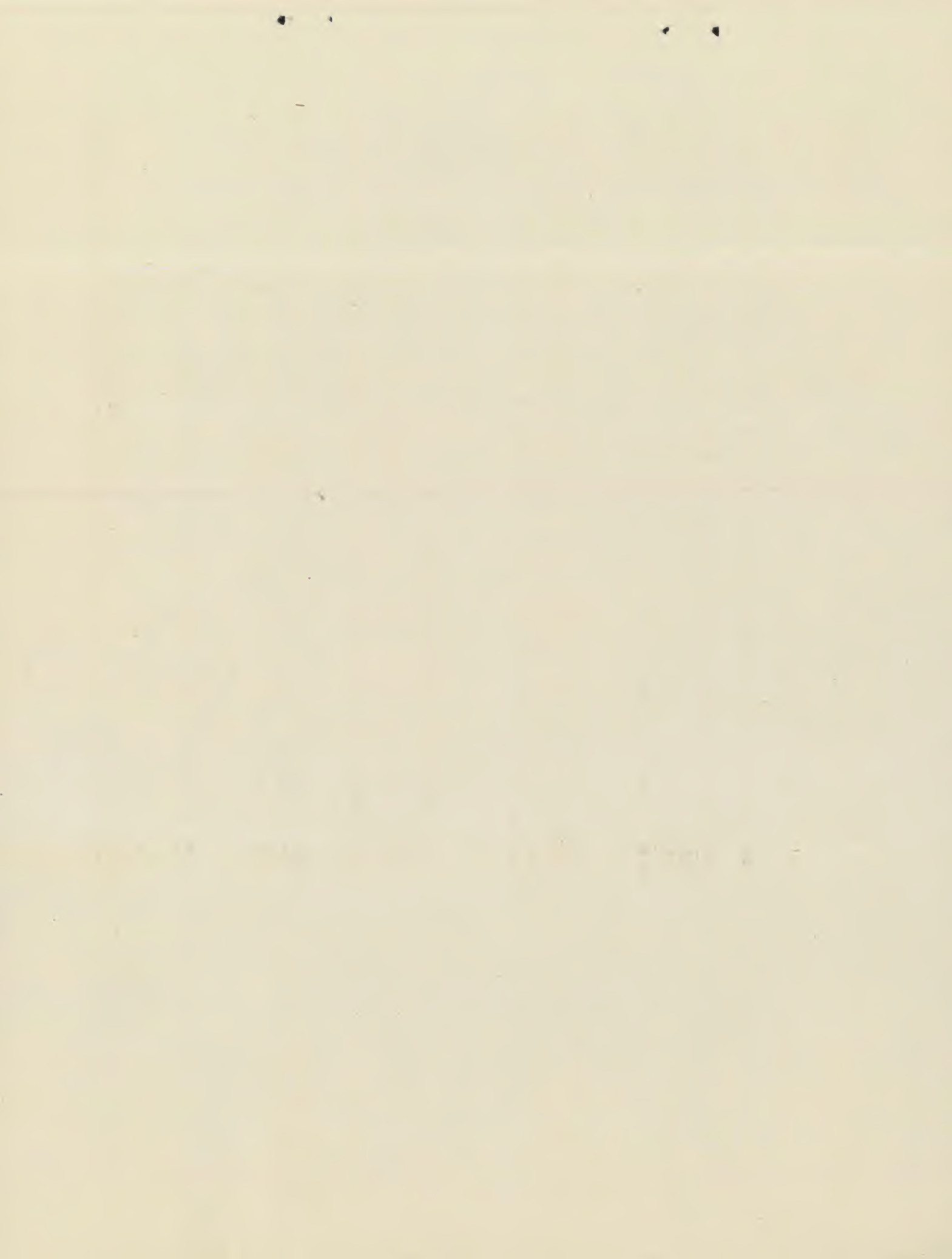
Earnings per share for the last fiscal year, as per the income account, are indicated at the rate of \$2.58. The Annual Report of the Company for this year, however, records pre-store opening expenditures of over \$750,000 without which special charge against earnings the result for the year would have been approximately \$3.20 per share. If further allowance be made for the new store depreciation charges, etc., levied in connection with current openings, the actual earnings of the W. T. Grant System would be further enhanced—probably to a sum equivalent to close to \$4.00 per share. *In other words, the reinvestment of earnings in the expansion program of the Company is all that prevents an earnings showing favorable by comparison even with manufacturing companies having far greater capital risks, far lower capital turnover and materially smaller inherent possibilities of growth.*

The growth trend of the W. T. Grant Company in the last ten years promises to be exceeded in the future. For the first four months of the calendar year 1930, the Company's sales were \$18,391,614, an increase of 12.1% over the same period of the previous year. Sales of the Company during Easter week in 1930 reflected a gain of 26.4% over Easter sales in 1929.

In our opinion the stock of the W. T. Grant Company with its proven record of growth and its future potentialities is an outstanding investment opportunity.

REDMOND & CO.

May, 1930.



W. T. GRANT
COMPANY

COMPARATIVE
INCOME ACCOUNTS

	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Year Ending January 31 -----										
SALES -----	\$10,192,535	\$12,728,412	\$15,382,691	\$20,625,388	\$25,316,334	\$30,411,399	\$36,074,504	\$43,743,929	\$55,690,784	\$65,902,419
LESS: Cost of Merchandise and Operating Expense -----	9,747,959	12,163,306	14,535,052	19,062,166	23,543,562	28,070,864	33,407,581	40,845,417	52,235,008	62,073,717
OTHER INCOME (net) -----	\$444,576	\$565,106	\$847,579	\$1,563,222	\$1,772,772	\$2,340,535	\$2,666,923	\$2,898,512	\$3,455,776	\$3,828,702
	22,153	66,693	29,383	152,822	46,394	102,233	145,143	178,093	192,435	230,550
	\$422,423	\$498,413	\$818,196	\$1,716,044	\$1,819,166	\$2,442,768	\$2,812,066	\$3,076,605	\$3,648,211	\$4,059,252
DEDUCT:										
Depreciation and Amortization -----	56,595	92,143	110,542	150,207	213,294	312,495	340,335	379,251	499,461	621,502
Federal Taxes -----	91,000	110,000	96,500	205,000	206,000	305,000	345,000	367,900	389,000	380,000
NET INCOME -----	\$274,828	\$296,270	\$611,154	\$1,360,837	\$1,399,872	\$1,825,273	\$2,126,731	\$2,329,454	\$2,759,750	\$3,057,750

COMPARATIVE SURPLUS ACCOUNTS

	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Year Ending January 31 -----										
SURPLUS, beginning of Year -----	\$706,697	\$846,108	\$1,014,671	\$1,456,045	\$1,066,127	\$1,896,565	\$3,238,248	\$4,862,043	\$6,652,607	\$8,926,801
ADD:										
Net Income for Year as Above -----	274,828	296,270	611,154	1,360,837	1,399,872	1,825,273	2,126,731	2,329,454	2,759,750	3,057,750
Other Additions -----	2,098	4,769	4,848	10,286	13,421	85,108	—	3,135	29,568	—
	\$983,623	\$1,147,147	\$1,630,673	\$2,827,168	\$2,479,420	\$3,806,946	\$5,364,979	\$7,194,632	\$9,441,925	\$11,984,551
DEDUCT:										
Preferred Dividends -----	48,750	57,476	97,611	174,276	197,793	193,616	189,351	45,746	—	—
Common Dividends -----	75,000	75,000	75,000	231,250	375,000	300,000	300,000	455,387	515,124	700,519
Dividends Paid in Stock -----	—	—	—	1,350,000	—	—	—	—	—	538,900
Other Deductions -----	13,765	—	2,017	5,515	10,062	75,082	13,585	40,892	—	44,362
SURPLUS, end of Year -----	\$846,108	\$1,014,671	\$1,456,045	\$1,066,127	\$1,896,565	\$3,238,248	\$4,862,043	\$6,652,607	\$8,926,801	\$10,700,770



COMPARATIVE
BALANCE SHEETS

W. T. GRANT
COMPANY

	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
ASSETS:										
Cash	\$413,648	\$418,716	\$373,774	\$886,851	\$599,635	\$1,615,761	\$2,013,502	\$1,830,942	\$1,916,593	\$2,517,203
Accounts Receivable	19,837	20,695	61,073	21,256	27,507	48,344	50,170	64,096	99,441	353,344
Merchandise Inventory	1,479,633	1,627,324	1,940,805	2,476,727	2,687,035	2,955,754	3,495,060	4,659,711	6,314,555	7,880,661
Life Insurance Surrender Value	6,151	8,350	10,107	18,350	27,001	33,849	41,317	52,081	57,772	66,750
TOTAL CURRENT ASSETS	1,919,269	2,075,085	2,385,759	3,403,184	3,341,178	4,653,708	5,600,049	6,606,830	8,388,361	10,817,958
Miscell. Inv., Employees Accounts Rec., etc.	31,485	13,600	11,557	10,133	51,955	33,550	25,249	67,926	41,104	59,395
Investment, W. T. Grant Realty Corp.	—	—	—	—	1	2,361	2,814	1	1,800,001	2,344,904
Advances and Accounts with Property Owners, etc.	—	—	—	—	—	—	—	—	—	528,716
Furniture and Fixtures, depreciated	206,705	303,843	436,765	658,003	1,022,787	1,020,734	1,164,662	1,511,362	1,948,797	2,572,696
Alterations and Improvements, depreciated	270,299	499,136	866,139	1,533,436	2,167,439	2,479,351	2,683,823	3,328,178	4,168,065	5,530,438
Real Estate and Buildings, depreciated	—	—	100,000	110,273	—	—	—	—	—	—
Preferred Stock Sinking Fund	—	20,674	36,962	—	—	—	2,860	—	—	—
Unexpired Insurance, Supplies, Prepaid Rents, Taxes, etc.	52,651	73,612	75,537	144,568	219,661	138,256	189,672	278,620	544,016	726,531
TOTAL ASSETS	\$2,480,409	\$2,985,950	\$3,912,719	\$5,859,597	\$6,803,021	\$8,327,960	\$9,669,129	\$11,792,917	\$16,890,343	\$22,580,637

LIABILITIES AND CAPITAL:

Accounts Payable	\$119,470	\$134,184	\$283,518	\$231,503	\$385,558	\$407,419	\$127,175	\$323,616	\$523,752	\$758,350
Notes Payable	482,500	457,500	—	40,000	55,000	—	—	—	25,000	25,000
Accruals	116,669	155,873	190,720	226,006	229,097	348,987	439,606	616,326	728,749	652,755
Dividends Payable	—	—	—	—	75,000	75,000	75,000	—	—	—
W. T. Grant Realty Corp.	—	—	—	—	—	—	—	226	2,407	—
Reserve for Federal Taxes (Est.)	91,000	110,000	98,501	205,000	206,000	305,000	345,000	367,900	389,000	380,000
TOTAL CURRENT LIABILITIES	809,639	857,557	572,739	702,509	950,655	1,136,406	986,781	1,308,068	1,668,908	1,816,105
Prepaid Rents of Subtenants	1,862	2,722	3,535	1,972	—	—	—	—	—	—
Liabilities Maturing More Than One Year from Date	—	—	—	—	—	—	—	—	—	—
Reserve for Painting Stores	—	—	—	13,989	25,301	50,006	30,405	44,942	212,500	187,500
Mortgages	—	—	75,000	75,000	—	—	—	—	61,638	80,066
Preferred Stock	672,800	961,000	1,655,400	2,500,000	2,430,500	2,403,300	2,289,900	—	—	—
Common Stock	150,000	150,000	150,000	1,500,000	1,500,000	1,500,000	1,500,000	3,787,300	6,020,496	9,796,196
Surplus	846,108	1,014,671	1,456,045	1,066,127	1,896,565	3,228,248	4,862,043	6,652,607	8,926,801	10,700,770
TOTAL LIABILITIES AND CAPITAL	\$2,480,409	\$2,985,950	\$3,912,719	\$5,859,597	\$6,803,021	\$8,327,960	\$9,669,129	\$11,792,917	\$16,890,343	\$22,580,637

